

Hearing on Debt and Development
Subcommittee on Domestic and International Monetary Policy
Rep. Maxine Waters
Statement for the Record
June 8, 2005

I would like to thank Chairman Michael Oxley and Chairman Deborah Pryce for organizing this hearing on “Debt and Development: How to Provide Efficient, Effective Assistance to the World’s Poorest Countries.”

I am encouraged by reports that this week’s discussions between President George Bush and the United Kingdom’s Prime Minister Tony Blair focused on the doubling of aid to Africa and debt cancellation for the world’s poorest countries. However, I was disappointed to learn that the emerging US-UK proposal for debt cancellation does not appear to cancel debts owed to the IMF and would only apply to about 18 poor countries. I was especially disappointed to learn that the only commitment the Bush Administration made was to spend an additional \$674 million on famine relief. The people of the world’s poorest countries need more than famine relief. They need complete debt cancellation and sustainable development programs that will enable them to diversify their economies and avoid famines in the future.

The limited debt relief available through the Heavily Indebted Poor Countries (HIPC) Initiative of the IMF and the World Bank has proven that debt relief is an efficient and effective way to assist the world’s poorest countries. Uganda used the savings from debt relief to double school enrollment and significantly reduce the HIV infection rate. Mozambique vaccinated half-a-million children, and Tanzania eliminated school fees and built over 31,000 new classrooms. An analysis of the HIPC Initiative by the IMF and the World Bank shows that since 1999, the 27 countries that received debt relief nearly doubled their poverty-reduction expenditures. Clearly, debt relief has made a difference in the lives of millions of impoverished people.

Unfortunately, the HIPC Initiative has failed to provide a lasting solution to the poor country debt crisis. Debt service payments for HIPC countries have been reduced by less than one-third, and the 27 countries that have received debt relief under HIPC still spent over \$2.7 billion on debt service payments last year. Other poor countries, like South Africa and the Philippines, were completely excluded from the HIPC Initiative and received no debt relief at all.

On March 3, I reintroduced *the JUBILEE Act*, now H.R. 1130, a bipartisan bill to cancel completely the multilateral debts of fifty of the world’s poorest countries. The *JUBILEE Act* would free poor countries from the debt burden and allow them to invest their resources in health care, education, poverty reduction and other programs that meet human needs. The JUBILEE Act would cancel the debts of all of the countries included in the HIPC Initiative, as well as other poor countries like South Africa and the Philippines. Congressional support for the *JUBILEE Act* has continued to grow over the past three months. Two additional Members of Congress agreed to cosponsor the bill over the Memorial Day recess, bringing the total number of cosponsors to seventy.

This coming weekend, the G-7 Finance Ministers will have another opportunity to discuss aid to Africa and debt cancellation. I encourage the G-7 Finance Ministers to use this opportunity to negotiate a deal to cancel all of the debts of all of the world's poorest countries. I sincerely hope that there will be a historic breakthrough this summer at the upcoming G-7 Finance Ministers' meeting or the subsequent G-8 Summit in Gleneagles, Scotland, on July 6-8, that will provide 100% debt cancellation to all of the world's poorest countries.

I look forward to hearing the testimony of the witnesses on this week's negotiations, ways to finance debt cancellation, and the potential for a historic breakthrough this summer that will cancel poor countries' debts once and for all.